

## The New Normal: Part 2

by Arthur G. Greene

Part 1 of this article appeared in the Spring Newsletter. It covered the importance of getting the firm's financial house in order, through conducting a revenue capacity analysis, creating meaningful financial reports and recognizing the underlying causes of revenue shortfalls. Managing the firm with a financial focus requires a commitment from each firm member to contribute to the firm's goals and objectives. Accountability and transparency are the subjects covered in this article, the second half of the "The New Normal."

### Manage with a Transparent Financial Model

More and more firms are turning to more frank openness when it comes to the firm's financial goals and encouraging discussion from all firm members. One of these ways is through increased transparency of the firm's objectives and sharing the firm's financial model. The financial model will have the amount of revenue needed to achieve its goals for the year, and how the firm expects to achieve that revenue broken down by month, by practice area and by individual. An open discussion of the firm's progress against its goals should become a normal part of the firm's monthly meetings.

Experience demonstrates that goals are essential to achieving desired results. Lawyers who track their productivity in hours or dollars on a daily basis will end up with better performance at the end of the year. It doesn't matter whether the goal is modest or aggressive. The fact there is a goal is important. Work spreads out to fill avail-

able time. The lawyer whose plan for the day is to only complete those projects that cannot be deferred to the next day will end the year with anemic productivity results. This has been proved over and over. The financial model will provide the tool necessary to create goals and manage progress.

Another advantage to the financial model and the monthly discussion of progress is that everyone will stay involved in the challenges of meeting the firm goal. This sharing of information will promote better collaboration and/or sharing of work when shifting of work will keep everyone more productive and the firm on track.



### If Walls Could Talk

If your walls could talk, what would they say about the standard of accountability in your firm? Accountability can be especially loose in small firms. This can also occur in any size firm. Sometimes a firm's relaxed culture or outdated ways trump the important need for accountability. This lack of accountability alone can be a key factor in a firm's waning financial success. For example, maybe the firm without billable hour goals for lawyers and paralegals and without standards for timekeeping finds it needs to face changing this. With the right approach and incentives, desired changes can work. It is human nature to be motivated to work towards something good, especially if it can be personally advantageous. What may seem like making hard changes can be surprisingly easy.

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Many businesses, including law firms, are realizing that financial transparency encourages and enables its employees to make more meaningful contributions. The level of transparency can be tailored to meet the needs of the individual firm. The financial model will not have the detail which may be reserved for the partners, but it will include enough information for everyone to be invested in achieving the revenue and profit goals set for the year.

### Encourage Innovation

For years now, the profession has been told by legal commentators to brace for substantial change in the practice of law. Back in the 1990s, we heard discussions about the emerging new paradigm. Despite these warnings, the profession has become split between innovative firms and traditional firms. The recession has added momentum to the firms offering innovative services and has not favored firms that resist change. The number of traditional firms clinging to historical methods is in decline.

Innovative firms are leading the way to new practice methods and pricing strategies. Some firms have terminated hourly billing in favor of alternative billing methods and have used these predictable fees as a successful marketing strategy. We are seeing more efficiency, more effective project management, state-of-the-art technology, product value replacing associate leverage, virtual arrangements, smart outsourc-

ing, talent development, internet marketing, social media, and globalization for firms large and small.

From a management perspective, innovation is more than copying what other firms are doing. Rather, it involves understanding and responding to your client's needs and concerns about the legal services you provide. Being first to the market in your geographic region with a new approach or a different pricing method is a powerful concept. For innovation to occur there needs to be active support by the firm's leadership and management. It should be on the agenda for every practice group. Consider creating the position of Director of Innovation and assign that role to the firm's most open minded and creative lawyer. Encourage new ideas and pilot programs. Reward success based on innovation.

### Conclusion



First and foremost, practicing law *in the new normal* requires more skilled management and business-like models that are common in other businesses. Lawyers are no longer able to remain successful operating under a different set of practices than other businesses.

Start by assessing how the firm is doing. Set revenue goals and actively manage to those revenue targets. Finally, develop a culture of transparency and accountability that also embraces, promotes and rewards innovation and change. Get ahead of the curve.

### Activities

- In July, Arthur participated in an ABA Webcast on "Succession Planning and Exit Strategies for Lawyers"
- Arthur's article "The New Normal" appears in the July/August issue of the ABA's Law Practice Magazine
- In July, Arthur participated with Sensei Enterprises/Legal IT in a Podcast on "Restoring Profitability"
- In June, Arthur presented a program on "Succession Planning" at the Maine State Bar Association Annual Meeting in Bar Harbor

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**Contact Us To Discuss How We Can Help You Create A Financial Model For Your Firm or Office**

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